**MODULE TITL: Processing Applications for Credit:**

**LEARNING OUTCOMES:**

At the end of this module the trainer will be able to

**LO1:**Check and verify application details

**LO2** Submit assessment and decision

**LO3**: Maintain application records and complete necessary documentation.

**Introduction:**

Contractual agreements in which a borrower receives something of value now and agrees to repay the lender at some later date. When a consumer purchases something using a credit card, they are buying on credit (receiving the item at that time, and paying back the credit company month by month). Any time when an individual finances something with a loan (such as an automobile or a house), they are using credit in that situation as well

Credit evaluation and approval is the process a business or an individual must go through to become suitable for a loan or to pay for goods and services over an extended period. It also refers to the process businesses or lenders undertake when evaluating a request for credit. Granting credit approval depends on the willingness of the creditor to lend money in the current economy and that same lender's assessment of the ability and willingness of the borrower to return the money or pay for the goods obtained—plus interest—in a timely fashion. Typically, small businesses must seek credit approval to obtain funds from lenders, investors, and vendors, and also grant credit approval to their customers.

**LO1:Check and verify application details:**

 **1.1. Gathering** Information **required supporting application**:

Gathering Information required supporting application in accordance with credit policy and recording information using correct organization policies and procedures.

**Required information for credit application:**

In order to complete a credit application, you’ll need to provide the following information:

Full legal name and date of birth

Home address, phone number and email address

Current and previous employers

Gross annual income or salary

Information on other credit you hold, generally locate all the information needed to apply.

Find what types of information to gather such as driver’s license number, social security number (it is optional) work phone numbers, previous residence and referrals. Some credit only ask for a minimal amount of information such as a name and identification number, but others can have a more extensive application that would require more information from you.

**1.2: Verifying** Information **provided by applicant:**

Verifying Information provided by applicant and obtained from other sources for accuracy and compliance with relevant legislative requirements and organizational requirements;

Every bank or any financial institutions establishes its own policies for verifying the information contained in a credit application, but the process almost always requires a credit confirm. If you apply for a credit with a high limit, you might have to go through underwriting or guarantee; processes banks use to verify the information contained in your application and assess your credit risk. Underwriters have several tools available to determine whether you'll be approved;

**Verifying Basic Personal Information:**

You'll have to provide your name and address on your application, and will almost always have to provide your necessary information. The credit company will check the information against credit reports and public records to ensure your personality.

**Bank Accounts and Assets:**

Your bank accounts and property such as cars, expensive jewelry or a home can provide important clues about your financial status. Your bank may ask about your assets, and may then verify that you actually have these assets by checking your bank accounts and verifying loans for cars and a home through your credit report.

**Employment Income:**

If you're required to provide information about your income, your bank has several ways of verifying this information. If you are self-employed or the bank wants more information, it may request tax returns from the past two or three years. Consequently, underreporting your income on your taxes can decrease your access to credit.

**Credit History:**

Your credit history doesn't provide direct information about your income, but it can be a way to check whether you've listed all of your current credit accounts. It can also provide a more complete picture of your financial status. For example, if you have a high income but many credit accounts upon which you're only making minimum payments, you are a greater risk to the bank.

**LO2: Submit assessment and decision:**

**2.1. Forming decision to reject or accept:**

Forming or outlined decision to reject or accept an application on the basis of total credit assessment and credit policy;

**Reason for reject credit application;**

Some common reasons to rejected credit applications include;

* You didn't provide us with the required documentation. In order to assess your application, we need relevant documents to verify your income and identity. During the application process, we will agree to you know which documents we need from you (and how to send them to us).
* Your financial position didn't qualify you for the credit limit, credit limit increase or credit amount you applied for. This may be determined by your income (e.g. wages, rental income), expenses (e.g. existing loan commitments, living costs) and your ability to afford the product you applied for. We may also look at your lending history with analyze. Your citizenship or residency status may also mean different credit criteria apply.
* Your age did not qualify you. To be able to get a credit you need to be 18years old or older.
* Your credit history did not qualify you. If you've got a history of outstanding or overdue debts, this could disqualify you from being offered a credit account . To help reduce the risk of your credit history affecting your credit application, try to repay your debts on time and ensure you are not behind on any regular payments (e.g. phone bills, mortgages, etc.) when you make an application.

When assessing your credit application, we use a range of different information including the information you provide us as well as gather information from external Credit Company different from us. Generally the following reasons your credit application got rejected:

* Your income is too low.
* You applied for the sometime another credit company recently.
* You’re unemployed or you have not any income source.
* You’ve not paid a credit before
* Negligent personality
* Unqualified collateral
* Your Employment History Is Unstable
* You Have Too Much Existing Debt
* There Is Negative Information on Your Credit Report
* You Are Too Young
* You didn't completely fill out the application.
* You have a recent collection or public record.
* Your loan balances are too high.

.**Reason for accept credit application:**

Credit associations have multiple criteria which are assessed in an application before giving approval. These criteria might differ between Credit Companies. Most of the banks or Credit Companies have an automatic application review system which looks at information provided and makes a decision based on criteria of the company

**The main criteria used by companies are accepting the application**:

* Acceptance point score.

The acceptances score means that the applicant is meeting the criteria, such as to asset ratio is good, current rent or mortgage repayments to minimum or become end.

* Employment status.

 Before you apply for any credit, be sure to have been with your employer for a minimum of two year in according Ethiopian context. And must have enough salary and the employer provide confirming letter you have to free from any loan.

* Personal assets.

Personal assets are considered an applicant’s need to carefully make a list of their personal assets and include these in the application. When you list your assets and liabilities, try your best to ensure your assets significantly be more important than any debt.

* Multiple applications.

 Applications must only be submitted once you’ve completed adequate research about the benefits and requirements of the credit. Increasing the probability of successful application and also improving the credit.

* Credit file.

The credit file maintained by credit reporting agencies is very important information. Without any black spots on the credit file can help to you from getting an ideal credit.

Applicants are generally discussed above can be the difference between acceptance and leaving another negative mark on your credit history. Generally the following reasons of go through accepting your credit application;

* Good personality
* Appropriate employment status
* Qualified personal asset or collateral
* Good credit history
* Good work plan
* Profitable or Acceptable business plan
* Academics status
* Experience in all round
* Business status
* Total organized document or information

**2.2: Referring decisions for advance funds:**

Referring decisions for advance funds or extend credit that fall outside the officer's approval or limits of authority for relevant approving personnel;

The individual steps in the process and their implementation have a considerable impact on the risks associated with credit approval. Therefore, this course presents these steps and shows of the shapes. Credit approval process, as the characteristics which have to be concerns are simply too diverse. That said, it is possible to single out individual process components and show their basic design within a credit approval process optimized in terms of risk and efficiency. Thus, the risk drivers in carrying out a lending and rating process essentially shape the structure of this

First of all, we need to ask what possible sources of error the credit approval process must be designed to avoid. The errors encountered in practice most often can be put down to these two sources

In order to assess the credit risk, it is necessary to take a close look at the borrower economic and legal situation as well as the relevant environment.

**Four factors should be taken into account in the segmentation of credit approval processes**:

1. Type of borrower

2. Source of cash flows

3. Value and type of collateral

4. Amount and type of claim

**Type of Borrower**

In general, type of borrower is used as the highest layer in credit approval processes.

This is due to the higher priority of reviewing legal and economic conditions within the substantive credit review process. The way in which the economic situation is assessed greatly depends on the available data. The following segments can be distinguished:

— Sovereigns

— Other public authorities (e.g. regional governments, local authorities)

— Financial services providers ( credit institutions)

— Corporate

— Retail

Usually, at least the segments of corporate and retail customers are differentiated.

**Source of Cash Flows**

The distinction of so-called specialized lending from other forms of corporate finance is based on the fact that the primary, if not the only source of reducing the exposure is the income from the asset being financed, and not so much the unrelated solvency of the company behind it, which operates on a broader basis.

Therefore, the credit review has to focus on the asset to be financed and the expected cash flow. In order to account for this situation, the segmentation of the credit approval processes should distinguish between

— credits to corporations, partnerships, or sole proprietors; and

— specialized lending

Credit institutions have to distinguish between the following forms of specialized lending in the calculation of regulatory capital.

1. Project finance

2. Object finance

3. Commodities finance

4. Finance of income-producing commercial real estate

**Value and Type of Collateral**

Value and type of collateral have a significant impact on the risk involved in lending. Of particular relevance in this context are those types of collateral which afford the lender a claim in rim on the collateral, and those product constructions under which the lender has legal and economic ownership of the asset to be financed. Two forms of finance are particularly relevant in practice:

— mortgage finance and

— leasing finance

Mortgage finance and leasing are those forms of finance which often give the lender a substantial degree of control over the asset being financed. The strong legal position resulting from such collateral may warrant special treat.

 **Amount and type of claim**

Claims are categorized by type and reason. This categorization allows users to group claims, and makes it easier to analyze claims, identify areas of inefficiency, and make improvements that will resolve or prevent further claims.

Claim reasons are used:

For classification purposes

When creating claim action defaults

For integration point setups

Claim reasons are org-striped (specific to a particular operating unit.) Therefore, they are visible only within the operating unit in which they are created.

As a prerequisite, claim actions must be created before setting up claim reasons.

**2.3: Preparing recommendations:**

 Preparing recommendations to accept or reject applications to provide credit or advance funds and any required security and forwarded to relevant personnel promptly and in accordance with organization procedures;

Compare credit application from all of the applicants and quickly find that the best fits or fulfill the criteria. Start by using the filters on the left to narrow down your search. To recommended for a credit applicants. **If it accept the application**;

well come to our company why because you fulfill all necessary documents and we accept your credit application. **If reject application;**

I feel sorry your credit application already reject why because your document don’t fit or not fulfill the company criteria. I hope you come again our company when to fulfill the company criteria.

**LO3: Maintain application records and complete necessary documentation:**

**3.1:Keeping *records* system:**

Keeping records system up to date and maintaining according to legislative requirements and timeframes and organization policy and procedures;

Setting up the right record keeping system for your credit approval will help to get accept, meet legal requirements and strengthen customer and staff relationships.

There are certain record keeping requirements for businesses and there may be specific laws and requirements related to the financial sector. It's a good idea to protect yourself by seeking expert advice before setting up a record keeping system for you maintain credit application.

Laws that apply to your business will determine how long you need to keep records for. If you use an electronic record keeping system, you must also be able to produce a hard copy of credit application request it.

Four quality of record

● authenticity – it is what it says it is validity

● reliability – it can be trusted as full and accurate

● integrity – it has not been altered since it was created or filed

● Usability – it can be retrieved, read and used.

The first three qualities are particularly relevant to the usefulness of the records as evidence. This has

implication for the way in which records are kept and stored and the underlying processes, which are

demanded by the fourth quality

**3.2: Monitoring and recording file:**

 Monitoring and recording file and record movements producing document accurately, clearly and concisely, in accordance with industry, organization and legislative requirements and timeframes;

Monitor and record privileged user activity

Administrative users require privileged account access in their day-to-day roles to maintain systems, perform upgrades and troubleshoot issues. However, these users can also misuse their privileges to gain unauthorized access to sensitive information or cause damage to the IT environment.

Pre-integrated to the customer Interaction center (CIC) from Interactive intelligence, interaction recorder provides complete quality assessment control in one environment for recording and archiving phone calls along with emails, faxes, web chat and workflow. More than simply a recording tool, Interaction Recorder provides innovative agent scoring features that will simplify your agent performance tracking and quality assessment processes. Out-of-the-box reports facilitate the measurement of team and individual scoring results. Additionally, intuitive categorization and retrieval features ease recording file management.

Every step of the way, interaction recorder helps improve customer service standards, optimizes agent and manager performance, promotes compliance, validates sales orders and resolves discrepancy. Interaction Recorder upgrades literally every aspect of your interaction process between your agents, your business and your clients.

**Recording selection interface**

You can choose specific interactions for automatic recording and establish recording rules based on business requirements. The Recording Selection interface is a component of CIC’s inherent Interaction Administrator configuration interface.

Categorizing recording files

Numerous Adapt clients also categorize recording files in Interaction Administrator to speed their file search and retrieval processes. They also frequently opt to apply security rules to limit access to authorized users only.

**Assignment for level -3 (50%)**

1, what is the main Reason for reject credit application?

2, what are Factors should be taken into account in the segmentation of credit approval processes?

3, what are the criteria for credit?

4,dicuss and explain about application for credit?

**Notice: all students must be summit this assignment after two weeks.**